LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 8053 **DATE PREPARED:** Mar 2, 1999
BILL NUMBER: HB 2072 **BILL AMENDED:** Mar 1, 1999

SUBJECT: Housing Trust Fund.

FISCAL ANALYST: Bob Sigalow
PHONE NUMBER: 232-9859

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Local

<u>Summary of Legislation:</u> (Amended) The bill establishes a property tax exemption for certain real property located in Marion County that was constructed, rehabilitated, or acquired to provide housing to income eligible persons under the federal low income housing tax credit program. It permits the City-County Council in Marion County to enter into agreements concerning payments in lieu of taxes for the same real property, and provides that the payments are to be deposited in the Housing Trust Fund.

This bill also permits the Marion County Metropolitan Development Commission to establish a supplemental housing program and a tax increment allocation area for the purpose of providing financial assistance to low-income individuals and families to enable them to purchase or lease residential units. The bill requires the Marion County Metropolitan Development Commission (Commission) to establish a Housing Trust Fund.

<u>Effective Date:</u> July 1, 1999; January 1, 2000.

<u>Explanation of State Expenditures:</u>

<u>Explanation of State Revenues:</u>

<u>Explanation of Local Expenditures:</u> (Revised) This proposal requires the Commission to establish the Housing Trust Fund to be administered by the city housing division or by the department, division, or agency that performs the public housing function. Revenues to the fund would include captured taxes from the allocation area, and payments in lieu of taxes (PILOTS) discussed below in Local Revenues. The uses of the fund, established by the Commission, would be limited to paying fund administration expenses and providing assistance to individuals and families at or below the county median income to purchase or lease housing.

<u>Explanation of Local Revenues:</u> (Revised) This bill would allow the Commission to create a supplemental housing program in Marion County. The Commission may also establish one allocation area for the program.

The area does not have to be contiguous. The property in the allocation area must consist solely of multi-family housing projects that are or were covered by a HUD contract for project based assistance or properties that have been owned at one time by a public housing agency. The base assessed value for the allocation area would equal the net assessed value of all of the land, but not the value of improvements to the land. The Commission would capture the property taxes paid on the incremental assessed value in the allocation area. These taxes would be paid into the Allocation Fund and would be transferred into the Housing Trust Fund created by this bill.

The proposal would permit the Commission to grant taxpayers in the allocation area a percentage credit on property taxes equal to the percentage of state property replacement credits in the taxing district that contains the TIF district. The credit would reduce the net proceeds available to the allocation area.

This proposal would exempt from taxation real property that is located in Indianapolis and owned by an Indiana corporation if the improvements were constructed, rehabilitated, or acquired to provide low income housing, the property is subject to an extended use agreement, and the owner agrees to make PILOTS. With the approval of the property owner, the Indianapolis-Marion County City-County Council may, under this proposal, adopt an ordinance requiring that the property owner pay PILOTS. The payments would be equal to the taxes that would have been levied by the city and the county. These payments would be deposited into the Housing Trust Fund created by this bill.

In both cases, (for the allocation area and the tax exemption) total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund. When assessed value is added to the tax base, tax rates are reduced. The removal (or non-addition) of valuation to the tax rolls would have the effect of increasing (or not reducing) the tax rates.

State Agencies Affected:

Local Agencies Affected: Marion County Metropolitan Development Commission.

Information Sources: